

Message Text

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ACTION EA-06

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 2760

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TAGS: EAGR

SUBJECT: TEXTILES PAPER

REF: STATE 77404

FOR AMBASSADOR SULLIVAN FROM ARNOLD

SUMMARY. BELIEVE FOLLOWING COVERS MAIN FACTORS BEHIND INDICATION TO YOU THAT GOP WOULD BE INTERESTED IN ADHERING TO MULTIFIBER INTERNATIONAL TEXTILE AGREEMENT (MFA). THIS INTEREST IMELY IN VIEW FACT THAT MFA, WHICH CONCLUDED IN DECEMBER 1973, COINCIDES WITH INCREASING DIVERSIFICATION PHIL TEXTILE EXPORTS. BY AND LARGE, THERE ARE NO PRESSURES ON PHILS RESPECTING BILATERAL WITH US, BUT THERE CERTAIN ADVANTAGES TO PHILS FROM MFA, E.G. HIGHER ALLOWABLE GROWTH RATE AND SOME PROTECTION FROM UNILATERAL ACTION ON OUR PART. THERE IS ALSO ONE CATEGORY (#49, JACKETS) IN BILATERAL THEY WOULD LIKE TO EXPAND, BUT THIS FAIRLY MINOR ISSUE. END SUMMARY.

1. PHILIPPINES HAS NOT UNTIL NOW ADHERED TO INTERNATIONAL TEXTILE AGREEMENTS, PRIMARILY BECAUSE, WITH U.S. UNTIL 1973 VIRTUALLY ITS SOLE EXPORT MARKET, IT SAW NO BENEFIT TO DOING SO.

2. LONG TERM ARRANGEMENT REGARDING INTERNATIONAL TRADE IN COTTON TEXTILES (LTA) HAS NOW, HOWEVER, BEEN REPLACED BY NEW, MULTIFIBER INTERNATIONAL TEXTILE ARRANGEMENT (MFA)

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ARRIVED AT IN GENEVA UNDER GATT AUSPICES ON DECEMBER 20,

1973. BECUASE PHILIPPINES HAS NOW MOVED INTO EXPORT MARKETS OTHER THAN U.S., AND BECAUSE SYNTHETICS RATHER THAN COTTON TEXTILES ARE ITS PRIMARY EXPORT, IT WOULD NOW BENEFIT IN SEVERAL RESPECTS FROM ADHERING TO INTERNATIONAL AGREEMENT.

3. PRIMARILY, ADHERENCE TO MFA WOULD ENSURE TO PHILIPPINES THAT IT COULD NOT BE CUT OFF AS CONSEQUENCE UNILATERAL OR ARBITRARY ACTION ON PART OF IMPORTING COUNTRIES FROM ITS GROWING EXPORT MARKETS. PRICE IT WOULD PAY IN TERMS OF ENTRANCE FEE TO MFA WOULD BE OBLIGATION TO ELIMINATE ITS OWN IMPORT RESTRICTIONS UNLESS BILATERAL AGREEMENTS REACHED WITH EXPORTING COUNTRIES IN TERMS CONSISTENT WITH MFA.

4. EXISTING U.S.-PHILIPPINE COTTON BILATERAL HAS BEEN GENERALLY SATISFACTORY TO PHILIPPINES, SINCE IN ALL CATEGORIES BUT ONE (CATEGORY 49, JACKETS) PHILIPPINE EXPORTS HAVE BEEN LESS THAN ALLOWABLE LIMITS. HOWEVER, ANNUAL GROWTH PERMITTED BY U.S. COTTON BILATERAL IS 5 PERCENT, WHILE MFA PROVIDES IN ANNEX B THAT RESTRAINT ACTIONS TAKEN UNDER ARTICLE 3 TO PREVENT MARKET DISRUPTION SHALL PERMIT 6 PERCENT ANNUAL GROWTH RATE. THUS, IF PHILIPPINES ADHERES TO MFA IT WILL UNDOUBTEDLY WISH, IN ANTICIPATION POSSIBLE FUTURE INCREASE IN EXPORT LEVELS TO U.S., AMENDMENT IN U.S. BILATERAL AGREEMENT TO PROVIDE FOR THIS 6 PERCENT GROWTH RATE.

5. IN VIEW OF LOW LEVEL OF PHILIPPINE COTTON TEXTILES EXPORTS TO U. S. COMPARED WITH SIZE OF QUOTAS, PHILIPPINES MIGHT ALSO TAKE POSITION THAT BILATERAL WITH U.S. SHOULD FALL UNDER MORE PERMISSIVE ARTICLE 4, WHICH STATES IN PARAGRAPH 3 THAT AGREEMENTS UNDER THIS ARTICLE SHALL, ON OVERALL TERMS INCLUDING BASE LEVELS AND GROWTH RATES, BE MORE LIBERAL THAN MEASURES PROVIDED UNDER ARTICLE 3 (I.E., BETTER THAN 6 PERCENT ANNUAL GROWTH).

6. FORMULATION OF EXPLICIT PHILIPPINE POSITION ON RENEGOTIATION COTTON BILATERAL WOULD SEEM TO REQUIRE PRIOR DECISION AS TO WHETHER IT WILL ADHERE TO MFA. PREREQUISITE FOR THIS DECISION IS DETERMINATION AS TO HOW FAR IT PREPARED TO GO IN RELAXING ITS OWN RESTRICTIONS, WHICH INCLUDE LIMITATIONS ON REMNANTS AND OTHER TEXTILE MATERIALS OF INTEREST TO LIMITED OFFICIAL USE

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U.S. UNTIL PHILIPPINES ADHERES TO MFA, ONLY APPARANT REASON FOR PHILIPPINES TO SEEK TEXTILE DISCUSSIONS, SINCE THERE IS NO MAN-MADE FIBER BILATERAL AND MINIMAL PRACTICAL EFFECT FROM COTTON BILATERAL, WOULD BE LIMITED OBJECTIVE OF CALLING FOR DISCUSSIONS TO EXPLORE INCREASE IN CATEGORY 49. IN NEITHER EVENT NEED TEXTILE DISCUSSIONS BE LINKED WITH BROADER TRADE NEGOTIATIONS, ALTHOUGH PHILIPPINES MAY FEEL THERE ARE ADVANTAGES TO DOING SO.

7. WHEN I BROACHED THIS MATTER WITH PATERNO JUST BEFORE
HOLY WEEK, HE WAS NOT AWARE OF PARTICULAR WORRIES ON THIS
SUBJECT BUT WOULD DIG INTO IT AND REPORT RESULTS. I HOPE
TO CATCH UP WITH HIM ON THIS AND OTHER INTERESTS LATER IN
WEEK.
PURNELL

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